

Message Text

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ACTION EUR-12

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TAGS: EMIN, EI
SUBJECT: CONTROVERSY OVER MAJOR LEAD/ZINC DEPOSIT

1. THE GOVERNMENT IS EMBROILED IN ANOTHER MAJOR CONTROVERSY CONCERNING THE NAVAN LEAD/ZINC DEPOSIT NORTH OF DUBLIN. THIS DEPOSIT, BELIEVED TO BE THE LARGEST IN EUROPE, IS DIVIDED BY THE RIVER BOYNE, THE SOUTHERN PART BEING DEVELOPED BY TARA MINES AND THE NORTHERN PART BY BULA LIMITED. TERMS OF DEVELOPMENT OF TARA'S PART OF THE DEPOSIT AS WELL AS THE QUESTION OF GOI'S PARTICIPATION IN TARA WERE SETTLED IN AN AGREEMENT REACHED TWO YEARS AGO AFTER A LONG PERIOD OF DEBATE. THE CURRENT CONTROVERSY IS CONCERNED WITH BULA LIMITED, A PRIVATE, IRISH-CONTROLLED COMPANY THAT WILL DEVELOP THE NORTHERN PART OF THE NAVAN ORE DEPOSIT.

2. THE CURRENT ISSUE IS OVER THE PRICE AT WHICH THE IRISH GOVERNMENT WILL ACQUIRE A 24 PERCENT INTEREST IN BULA LIMITED. THE GOVERNMENT ALREADY HAS A 25 PERCENT INTEREST WHICH WAS RECEIVED IN CONSIDERATION FOR THE LICENSE AND FOR WHICH NO PAYMENT WAS MADE, AND THE ACQUISITION AN ADDITIONAL 24 PERCENT WILL BRING GOVERNMENT OWNERSHIP TO 49 PERCENT. THE GOVERNMENT, IN THE BULA LIMITED (ACQUISITION OF SHARES) BILL, 1977 CURRENTLY BEFORE THE DAIL (IRISH PARLIAMENT),

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PROPOSES TO PAY 9.54 MILLION POUNDS FOR THE 24 PERCENT, AND THIS IS THE SOURCE OF THE PRESENT DEBATE. THE PROPOSED PRICE IS BASED ON AN EVALUATION OF THE NET VALUE OF THE BULA ASSETS AT 39.75 MILLION POUNDS. THREE CONSULTANTS ACTING FOR BULA HAD SUBMITTED VALUE ESTIMATES RANGING FROM 63 MILLION TO 105 MILLION POUNDS. LAZARD BROTHERS AND COMPANY, WHICH HAD REPORTEDLY BEEN COMMISSIONED ON BEHALF OF THE MINISTRY OF INDUSTRY

AND COMMERCE TO EVALUATE THE BULA UNDERTAKING, CONCLUDED, ON THE OTHER HAND, THAT THE VALUE OF THE ENTIRE PROJECT WAS 7.75 MILLION POUNDS. IN THE CASE OF THE HIGHER ESTIMATES OF VALUE CITED PREVIOUSLY, BOTH THE POLITICAL OPPOSITION IN THE DAIL AND THE PRESS HAVE ATTACKED THE UNDERLYING ASSUMPTIONS. THERE IS A WIDE DIVERGENCE IN ASSUMPTIONS ABOUT A NUMBER OF FACTORS, INCLUDING FUTURE METAL PRICES, OPERATING COSTS OF THE MINE AS WELL AS THE APPROPRIATE DISCOUNT RATE TO BE APPLIED TO THE INVESTMENT. THESE VARIATIONS IN VALUATION HAVE PRODUCED A HEATED DEBATE IN THE DAIL WITH THE OPPOSITION SPOKESMAN CLAIMING THAT THE GOVERNMENT IS PAYING AN INFLATED PRICE AND THAT THE REAL VALUE OF THE GOVERNMENT'S PROPOSED 24 PERCENT IS MORE ON THE ORDER OF 1 MILLION POUNDS.

3. ON THE BASIS OF INFORMATION PUBLISHED TO DATE, IT IS EXTREMELY DIFFICULT TO ARRIVE AT AN IDEA OF THE REAL VALUE OF NAVAN DEPOSIT OR THE AMOUNT THE GOVERNMENT SHOULD PAY FOR ITS SHARE. IF THE LAZARE ESTIMATE IS ACCEPTED, THE VALUE OF THE GOI'S PURCHASE WOULD BE 1.86 MILLION POUNDS, WHEREAS IT WOULD AMOUNT TO 25.2 MILLION POUNDS IF THE HIGHEST ESTIMATE WERE ACCEPTED. ALL THE VALUATIONS AND ESTIMATES HAVE APPARENTLY BEEN PREPARED BY COMPETENT FIRMS AND INDIVIDUALS, BUT IT IS OBVIOUS THAT THEY HAVE VERY DIFFERENT NOTIONS OF WHAT BASIC ASSUMPTIONS SHOULD BE MADE AND WHAT DISCOUNT RATE SHOULD BE APPLIED.

4. MINISTER FOR INDUSTRY AND COMMERCE JUSTIN KEATING IS A MAN OF INTEGRITY AND IS WIDELY RESPECTED. HE HAS DEALT SUCCESSFULLY IN THE PAST WITH THE EQUALLY CONTROVERSIAL TARA SHARE OF THE NAVAN DEPOSIT AS WELL AS WITH THE CONTENTIOUS ISSUE OF LICENCING FOR OFF-SHORE PETROLEUM EXPLORATION. NEVERTHELESS, THERE IS OBVIOUSLY A LIMITED OFFICIAL USE

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GREAT DEAL OF CONCERN OVER THE VALIDITY OF THE VARIOUS VALUE ESTIMATES FOR BULA AS WELL AS THE CONCLUSION REACHED BY MR. KEATING AND THE BOARD OF CONSULTANTS CONCERNING THE PRICE THE GOI SHOULD PAY. IT IS LIKELY THE BULA BILL WILL PASS THE DAIL IN DUE COURSE, BUT THE PURCHASE PRICE WILL UNDOUBTEDLY REMAIN AN ISSUE FOR SOME TIME TO COME UNTIL THE RESULTS OF ACTUAL MINING OPERATIONS PUT TO REST THE QUESTION OF REAL VALUE. CURLEY

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